RHODE ISLAND BUSINESS GROUP ON HEALTH

May 9, 2024

Honorable Susan R. Donovan
Chair, House Health and Human Services Committee
Rhode Island State House
Providence, Rhode Island 02903

Re: H 8072 RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND HEALTH CARE REFORM ACT OF 2004 -- HEALTH INSURANCE OVERSIGHT

Dear Chairman Donovan,

I am writing on behalf of the Board of Directors of the Rhode Island Business Group on Health (RIBGH) and its 90 member companies, representing 80 thousand Rhode Island employees, to express our opposition to H.8072. H 8072 will add $1,000 per covered life. A family of four, after compounding, will pay $4,000+ more per year. Our opposition is based on specifically on the following reasons:

- H.8072 is proposed at a time when data from the Medical Expenditure Survey (MEPs), demonstrates that average family premiums have moved from 23% of median household income in 2012 to 28% of median household income in 2022. The MEPs survey also notes that family premiums in Rhode Island are the 13th most expensive in the nation.

- H.8072 proposes payment reform that "...establishes a regional parity floor...whereby hospitals, physicians, and advanced practice providers are paid materially equivalent rates to average payment rates in Massachusetts and Connecticut." Ironically, this proposal is being considered by the General Assembly while the Massachusetts Center for Health Information and Analysis (CHIA) is calling for more initiatives to improve affordability and Governor Lamont of Connecticut has issued a similar call.

- H.8072 as written, nullifies the RI Affordability Standards which according to peer reviewed research published in Health Affairs, health care spending slowed in Rhode Island after the Affordability Standards were applied to commercial insurers. More recent discussions in Massachusetts suggest they may be considering some form of Affordability Standards.

- If enacted, H.8072 reduces the incentive for providers to move away from fee-for-service payment towards value-based, affordable, population-based health payment models. Maryland, Vermont, and Pennsylvania are experimenting with hospital global budgets which introduce flexibility and innovation in the hospital. A recent Mathematica podcast provides examples of this flexibility including emergency department funding to provide services in the community to reduce overcrowding in the emergency department. Furthermore, CMMI, the federal Center for Medicare and Medicaid Innovation, has proposed the AHEAD program which offers the opportunity for eight states to begin a prolonged program of hospital payment reform. Rhode Island is eligible to be one of the states selected.

- H 8072 is being considered at a time when **Oliver Wyman**, a global leader in management consulting, recently said that for health systems to achieve long term stability, they will have to target cost reductions of 15-30% by 2030. Furthermore, **Numerof Associates**, consultant to some of the largest healthcare systems in the nation, recently published that hospitals need to change their business model to increase sustainability.

- As a retired hospital CEO, I have been analyzing hospital and health system costs nationally, by state, and by individual system. This work has been funded by Arnold Ventures Foundation and reviewed by faculty from the Business Analytics/AI Department at the URI College of Business. The information is being used to produce a series of issue briefs detailing the major drivers of commercial health insurance premiums. Among the many conclusions that will be published over the next few weeks, two conclusions are appropriate for this evening:

    - The overhead and non-reimbursable cost center expenses for hospitals in Rhode Island when expressed as a % of total expenses are the 4th highest in the nation.
    - Hospitals in Rhode Island taken as a group, now spend more on health system and related organization expenses than the spend on nursing salaries for traditional nursing units including intensive care.

While RIBGH cannot support H.8072 we do support payment reform including increasing reimbursement for primary care physicians. We would support payment reform for hospitals if the reform allowed hospitals to focus on their expenses because the increase in hospital overhead costs including hospital system costs has been substantial over the last ten plus years.
Sincerely,

Executive Director